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ZNY CCCCC ZZH
R 181658Z DEC 09
FM AMEMBASSY REYKJAVIK
TO RUEHC/SECSTATE WASHDC 4239
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE
RUEKJCS/SECDEF WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 REYKJAVIK 000221

SIPDIS

SECDEF FOR A.M. FENTON, OSLO FOR R. SMITH

E.O. 12958: DECL: 12/18/2019

TAGS: [NATO](#) [PREL](#) [PGOV](#) [IC](#)

SUBJECT: ICELANDIC DEFENSE AGENCY TO BE INTEGRATED INTO NEW
MINISTRY

REF: REYKJAVIK 158

Classified By: CDA SAM WATSON FOR REASONS 1.4 (B) AND (D)

11. (C) Summary. On December 4, the Government of Iceland announced plans to dissolve the Icelandic Defense Agency (IDA) and to integrate its duties into a new Ministry of the Interior. The Minister of Foreign Affairs and Permanent Secretary at the MFA later offered assurances that the merger will be carried out in a responsible manner and that Iceland will continue to meet all of its NATO commitments. The current director of the IDA, Tinna Vidisdottir, however, expressed grave reservations about the idea. She said the government was playing politics with defense issues and that key commitments could fall through the cracks in this government reshuffling. Two government officials have said that this step was an effort to placate the Left Greens. The discussion on the new ministry will avoid the broad topic of defense lest it spur debate on whether Iceland belongs in NATO. For this reason, the working group will focus on safer operational decisions, rather than strategic ones. End summary.

The Creation of a New Ministry of the Interior

2.(U) On December 4, the Government of Iceland announced its plans to dissolve the Icelandic Defense Agency (IDA) and to integrate its duties into a new Ministry of the Interior. The new ministry will merge two current ministries - the Ministry of Transportation, Communications and Local Government and the Ministry of Justice and Human Rights. The ministry will also incorporate portions of other public agencies, such as the IDA, which currently falls under the Ministry of Foreign Affairs.

13. (U) The MFA, in a public statement, tasked a five person committee with organizing the merger and ensuring that it occurs in a responsible manner. The committee will consist of one member from each of five government entities (the Ministries of Justice, Transportation, Finance and Foreign Affairs, and the Office of the Prime Minister). The committee is expected to reach a decision on the logistics of the merger by February and the task should be completed by the end of 2010. (Comment. The committee includes members of entities directly affected by the merger and also those with political interests in the matter, i.e. the Ministry of Finance. End comment.)

14. (C) The general approach to this reorganization is largely consistent with what Foreign Minister Ossur Skarpedinsson described to us in September (reftel). At that time, the Minister indicated that the plan would be set in motion by the end of the year. In recent weeks, however, key MFA contacts had not indicated that the announcement was imminent, no doubt because it was with the Minister. The Minister's Political Advisor told Charge on December 10 that three people had made this decision: the Prime Minister, the

Foreign Minister and the Finance Minister (who is chairman of the Left Greens). (Note: Given the Prime Minister's general deference to the Foreign Minister on such matters, it is likely that the latter was the real decision maker and that he sought to move the issue forward quickly. End note.)

A Pledge to Continue NATO Commitments

¶15. (C) The Permanent Secretary at the Icelandic Ministry of Foreign Affairs, Einar Gunnarsson, told Charge and Poloff on December 11 that the creation of the new ministry is, first and foremost, the coalition fulfilling its promise to streamline the government and make it more efficient. The government, he said, had pledged to reduce the total number of ministries from twelve to eight and is now fulfilling this campaign promise. Gunnarsson acknowledged that there is also a modicum of politics involved in the decision and did not dispute the idea that the Left Greens, the junior partners in the government coalition, have supported the dissolution of the IDA for quite some time. Nonetheless, he stated that the process would occur responsibly and transparently.

¶16. (C) Gunnarsson underscored that the new Ministry of the Interior would maintain Iceland's commitments to NATO. Iceland, he said, will continue to maintain the Icelandic Air Defense System (IADS) and all other NATO infrastructure in the country. According to Gunnarsson, Iceland will also continue to participate in exercises such as Northern Viking and the NATO air policing missions. This merger, he said, represents a change in form, but not in substance, for the country's defense activities.

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¶17. (C) According to the British Ambassador, Foreign Minister Skarpedinsson offered similar reassurances at a luncheon of EU member embassies on December 14. He reported to Charge that the Minister had said the restructuring was a "machinery of government" issue and not part of coalition horse trading.

Concerns Regarding the Merger

¶18. (C) On the other hand, the current Director of the Icelandic Defense Agency, Tinna Vidisdottir, expressed grave reservations to Emboffs regarding the decision to dissolve the IDA and said she doubts that the process will occur in a responsible manner. The decision, she said, was undertaken for the sole purpose of mollifying the Left Greens. Vidisdottir said that the Left Greens have historically opposed Iceland's involvement in any organization with military connotations and the dissolution of the IDA is their reward for going along with their coalition partners, the Social Democrats, on controversial measures such as EU membership and the Icesave bill.

¶19. (C) Vidisdottir opined that the merger would occur in a reckless manner. The committee tasked with this undertaking, she posited, will largely be comprised of technocrats who lack the necessary qualifications to handle the task. She feared that decisions would be made based upon finances rather than Iceland's strategic interests and shared with Emboffs a rumor that, she said, supported this contention. The responsibility for monitoring the IADS, she said, could potentially be transferred to Iceland's emergency hotline system, primarily as a means to pump extra funds into that cash starved entity. "Can you imagine," she asked, "the 911 dispatchers in the United States taking over the duties of NORAD?" (Comment: While Vidisdottir is competent, she has alienated many people with her outspoke style. She may not be totally objective in assessing this matter. End comment.)

Comment

¶10. (C) The truth regarding the merger probably lies somewhere in between the assurances of Gunnarsson and

Skarpedinsson and Vidisdottir's warnings. There is little doubt that the merger is politically motivated. It is hard to say, however, whether this decision followed the government's original timetable or was a more desperate step by a weak government confronting tough votes on Icesave, tax hikes and the budget. The shift of most IDA functions to a new ministry rather than leaving them at MFA and Justice as Skarpedinsson had predicted in September, would appear to indicate the need for the Social Democrats to show some support for their coalition partner. One former MFA official who is still in government confirmed that the shape and timing of the reshuffle was a concession to the Left Greens to bolster the coalition as it faces key votes. If the dissolution of the IDA were to occur, it would be the first issue on which the pacifist Left Greens won support for their position. So far the Left Greens have yielded to the Social Democrats on joining the European Union, supporting the government on Icesave, and lowering taxes on energy use. Nonetheless, despite the political rationale behind the decision, there is no reason to suspect that the undertaking will not be carried out responsibly.

¶11. (C) We have discussed the matter with like-minded counterparts in the diplomatic community and agreed to monitor closely the situation to make sure that no key commitments fall through the cracks during this government reshuffling. We have also mentioned to MFA officials the possibility of inviting strategic experts to come to Iceland and share their expertise during this transitional period. MFA officials, however, have cited a lengthy study (2007) which concludes that Iceland faces no military threats and needs to consider only nonconventional threats as a basis for their strategic approach. There is concern on their part that any discussion, private or public, on the broad topic of defense could backfire and reopen a debate on whether Iceland belongs in NATO. For this reason, the working group will focus on safer operational decisions, rather than strategic ones. End comment.

WATSON